

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2021-324-WS

IN RE: Application of Kiawah Island Utility,) **SETTLEMENT**
 Incorporated to File Proposed Changes in) **AGREEMENT**
 Rates, Charges, Classifications and/or)
 Regulations for Water and Sewer Service

Pursuant to S.C. Code Ann. § 1-23-320(F), and all other applicable statutes and regulations, this Settlement Agreement (“Settlement Agreement”) is made by and among the South Carolina Office of Regulatory Staff (“ORS”), Kiawah Island Utility, Inc. (“KIU” or the “Company”), the Town of Kiawah Island (“Town”) (collectively referred to as the “Parties” or sometimes individually as “Party”). The South Carolina Department of Consumer Affairs (“DCA”) has advised the Parties that it does not object to this Settlement Agreement and intends to so notify the Commission.

WHEREAS, the Company prepared and filed on November 30, 2021 the Application of Kiawah Island Utility, Inc. for Adjustment of Rates and Charges (Increase) and Modifications to Certain Terms and Conditions for the Provision of Water and Sewer Service (the “Application”). The test year for the Application is January 1, 2020 to December 31, 2020 (“Test Year”);

WHEREAS, the above-captioned proceeding has been established by the Commission pursuant to the procedure set forth in S.C. Code Ann. § 58-5-240 *et seq.*, and the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B);

WHEREAS, DCA by law may advocate for the interest of consumers in matters before the Commission pursuant to S.C. Code Ann. § 37-6-604(C);

WHEREAS, ORS conducted an examination of the books and records of the Company relative to matters raised in the Application, including Test Year revenues, operating expenses, depreciation and taxes paid by the Company; rate base, plant in service, working capital, capital expenditures, and other relevant accounting matters;

WHEREAS, ORS also examined all accounting and pro forma adjustments proposed by the Company, the Company's rate design and cost of service study, the Company's capital structure and cost of capital, and information related to the Company's operations;

WHEREAS, DCA also examined matters raised in the Application, the Company's capital structure and cost of capital, and information related to the Company's operations;

WHEREAS, the Town also examined matters raised in the Application and information related to the Company's operations;

WHEREAS, the Parties have varying positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of some or all of the issues would be in their best interests and, in the case of ORS, in the public interest; and,

WHEREAS, following those discussions, the Parties determined that their interests, and ORS determined that the public interest, would be best served by agreeing to this Settlement Agreement regarding issues raised by the Parties and pending in the above-captioned case under the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms.

A. STIPULATION OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct, rebuttal, surrebuttal, and/or settlement testimony and exhibits (collectively, the “Stipulated Testimony”) of the below witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to those that would be presented via an errata sheet or through a witness noting a correction consistent with this Settlement Agreement. The Parties further agree to the prefiled direct, rebuttal, and surrebuttal testimony and exhibits of the below witnesses being stipulated into the record without them appearing at the merits hearing on the Application. Should the Commission deny the request that the below witnesses be excused from appearing to present their prefiled direct, rebuttal, and/or surrebuttal testimony and exhibits, the Parties reserve the right to engage in redirect examination of the below witnesses as necessary to respond to issues raised by the examination of their witnesses, if any, by non-Parties, parties that are not signatories to this Settlement Agreement, or the Commission.

KIU witnesses:

1. Donald H. Burkett
2. Mujeeb Hafeez
3. Becky Dennis
4. Benjamin E. Nicholson, V
5. Douglas H. Carlisle
6. Craig Sorensen
7. Chuck Loy

Town witness:

1. John Labriola

ORS witnesses:

1. David M. Herpel
2. Aaron K. Rabon
3. Daniel P. Hunnell II
4. Dawn M. Hipp
5. David J. Garrett

6. Glenn A. Watkins

2. The Parties agree to offer no other evidence in the proceeding other than the Stipulated Testimony and exhibits and this Settlement Agreement unless the additional evidence is to support the Settlement Agreement, consists of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction or clarification, consists of a witness adopting the testimony of another if permitted by the Commission, or is responsive to issues raised by examination of the Parties' witnesses by non-Parties, parties which are not signatories to this Settlement Agreement, the Commission, or by late-filed testimony by non-parties. Subsequent to the filing of this Settlement Agreement, KIU Witness Sorensen and ORS Witness Hipp plan to file Settlement Testimony with the Commission in support of this Settlement Agreement. The Parties may also submit supplemental evidence to update rate case expenses consistent with the terms of this Settlement Agreement and the corresponding rates. The Parties agree that nothing herein will preclude each party from advancing its respective positions in the event that the Commission does not approve the Settlement Agreement in its entirety without exception, modification, or additional provisions.

B. SETTLEMENT TERMS

3. As a compromise to all of the positions advanced by the Parties, the Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the final agreement of the Parties.

4. Without prejudice to the position of any Party in future proceedings, the Parties agree to accept and adopt all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses unless specifically modified by this Settlement Agreement.

Return on Common Equity, Revenue and Capital Structure

5. For purposes of this Settlement Agreement, and in recognition of the mutual compromises contained herein, the Parties further agree that the Application, Stipulated Testimony, and this Settlement Agreement conclusively demonstrate the following: (i) the proposed accounting and pro forma adjustments appended to the Settlement Agreement as Attachment A are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) the rates generate a revenue increase of approximately \$555,000 on an adjusted test-year basis;¹ (iii) rates in this proceeding shall be established based on an 8.69% return on common equity ("ROE"), KIU's actual cost of debt of 4.57%, and a capital structure that includes 46.81% debt and 53.19% equity; and, (iv) the rates resulting from the Settlement Agreement are designed to recover the revenue requirement in an equitable and reasonable manner, are just and reasonable, and should be adopted by the Commission.

6. The Company's Application requested that the Commission set rates for the Company according to the operating margin method. The Parties agree that for this proceeding, KIU's rates shall be set according to the return on rate base method.

7. The parties agree to ORS's recommendations regarding rate design.

8. The Parties agree that the proposals and recommendations set forth in this Settlement Agreement will result in a Rate Design summarized in Attachment B, which sets forth the allocation of the revenue increase among customer classes according to ORS's rate design recommendations.

¹ The revenue increase and corresponding rates are based on documented rate case expenses as of March 15, 2022. Accordingly, the revenue increase and corresponding rates are subject to increase based on rate case expenses updated through the completion of the hearing. The Parties are permitted to provide supplemental evidence of rate case expenses incurred through the hearing and to provide corresponding updated rates through proposed orders.

9. In its Rebuttal Testimony, the Company recommended an ROE of 9.35%. This Settlement Agreement provides for an ROE of 8.69%. With this Settlement Agreement, a residential water customer using 11,000 gallons per month would see a monthly increase of approximately \$5.83, while sewer customers will not see any change to their rates; whereas based on the Company's Application, a residential water customer using 11,000 gallons per month would see a monthly increase of approximately \$8.31, and a residential sewer customer using 11,000 gallons of water would see an increase of approximately \$3.49.

Other Adjustments

10. The Application requested additional incremental pipeline costs related to the construction of a secondary water line ("Secondary Pipeline Project") in the amount of \$2.4M. The parties agree to establish a regulatory asset with a value of \$1,800,000 corresponding to the allowable incremental Secondary Pipeline Project costs arising from the unforeseen failure of the first drill attempt and KIU's efforts to induce its contractor to undertake the second drill, which was successful and ultimately resulted in the Secondary Pipeline Project being placed into service for the benefit of KIU's customers (Attachment A, Adjustment 3B). The amortization period of the regulatory asset is 30 years, and the regulatory asset will not be placed in rate base and will not earn a return or accrue carrying costs. KIU agrees that it will not be eligible in any future proceeding to seek recovery of any additional incremental costs relating to or arising out of the construction of the Secondary Pipeline, including but not limited to any litigation related to or arising out of the Secondary Pipeline Project.

11. The Parties agree to KIU's methodology in calculating its Cash Working Capital adjustment, which is inclusive of purchased water and bad debt (Attachment A, Adjustment 19). The Company shall conduct a Lead-Lag study and file it with the Commission with the Company's

application in its next rate proceeding in order to inform the determination of the Company's cash working capital. ORS supports such study, and KIU may request recovery of the costs associated with the study in KIU's next rate case. ORS retains the right to review and make recommendations related to KIU's requests for cost recovery related to the Lead-Lag study in future base rate proceedings

12. The Parties agree to an adjustment to remove from KIU's allowable share of overhead expenses 50% of the salary, benefits, and taxes for SouthWest Water Company's ("SWWC") two highest compensated executives (Attachment A, Adjustment 2G). The Parties agree this adjustment is non-precedential.

13. The Parties agree to an adjustment to include in KIU's allowable share of overhead expenses 25% of the expenses related to the SWWC Corporate Development Team (Attachment A, Adjustment 2G). The Parties agree this adjustment is non-precedential. ORS reserves its right to examine and challenge the appropriateness of corporate development, merger transaction, and merger transition costs in any future proceedings.

14. The Parties agree to an adjustment to include for recovery the amount of rate case expenses incurred by KIU through the hearing and that these expenses are to be amortized over two (2) years (Attachment A, Adjustment 2H).

15. The Parties agree to use KIU's Test Year revenues of \$39,551 for Account 440080 – Fire Hydrant Service (Attachment A, Adjustment 1C).

16. The Parties agree to adjustments to gross receipts tax, licensing fees, income taxes, customer growth, cash working capital, and interest expense to reflect the terms above and a return on equity of 8.69%.

Other Terms

17. KIU will file its next rate case under rate of return methodology and include rate of return information in the application

18. KIU shall not file for a general rate case before eighteen (18) months from the date the final order is issued in this proceeding, such that new rates will not be effective prior to twenty-four (24) months from the date the final order is issued in this proceeding, except where necessary due to unforeseen extraordinary economic or financial conditions which may include, but not be limited to, changes in tax rates. Additionally, this term does not apply to filings related to pass through charges of purchased water.

19. The Company shall submit future Annual Reports for water and sewer in accordance with the Commission's instructions.

20. The Company shall maintain its accounting books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts.

21. KIU shall maintain performance bonds currently on file with the Commission in the amounts of \$350,000 for sewer operations and \$350,000 for water operations in compliance with S.C. Code Ann. § 58-5-720.

22. The Company shall conduct a Shared Service Study using a third-party consultant to evaluate the contract or shared services provided to KIU from SWWC, SWWC affiliates, and the Corporate Shared Services business unit. The time period for the Shared Service Study shall be the test year of KIU's next rate case. The objective of the Shared Service Study shall be to determine if the charges incurred by KIU during that test year are reasonable and necessary. ORS supports such study, and KIU may request recovery of the costs associated with the study in KIU's next rate case. ORS retains the right to review and make recommendations related to KIU's

requests for cost recovery related to the Shared Service Study in future base rate proceedings. At a minimum, the Shared Service Study shall answer the following questions:

- a. Were the shared services provided by SWWC, SWWC affiliates and the Corporate Shared Services business unit reasonable?
 - b. Was KIU charged the lower of cost or market value for the managerial and professional services provided by SWWC, SWWC affiliates and the Corporate Shared Services business unit?
 - c. Did the shared services provided by SWWC, SWWC affiliates and the Corporate Shared Services business unit result in duplication of effort, labor or cost?
 - d. Are the services KIU receives from SWWC, SWWC affiliates and the Corporate Shared Services business unit necessary?
 - e. What are the quantifiable benefits from the services KIU receives from SWWC, SWWC affiliates and the Corporate Shared Services business unit and how do they compare to the cost?
 - f. Do the shared services provided by SWWC, SWWC affiliates and the Corporate Shared Services business unit to KIU enhance KIU's operational efficiency?
 - g. What recommendations for improvement should be considered?
23. All parties agree to forgive outstanding discovery or data requests and issue no additional requests, except to the extent necessary to update rate case expenses.

C. REMAINING SETTLEMENT TERMS AND CONDITIONS

24. The Parties agree that this Settlement Agreement is reasonable, is in the public interest, and is in accordance with law and regulatory policy. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party in any future proceeding. This

Settlement Agreement does not establish any precedent with respect to the issues resolved herein and in no way precludes any Party herein from advocating an alternative position in any future proceeding.

25. ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B), which reads in part:

... 'public interest' means the concerns of the using and consuming public with respect to public utility services, regardless of the class of customer and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes this Settlement Agreement reached among the Parties is in the public interest as defined above.

26. The Parties agree that this Settlement Agreement must be read and construed as a whole and to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission in its entirety as a fair, reasonable and full resolution of the issues described herein. The Parties agree to use reasonable efforts before any reviewing court in the event of appeal to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein; however, ORS shall not utilize social media to defend a Commission order.

27. The Parties offer this Settlement Agreement to the Commission in its entirety as a comprehensive settlement which is the product of extensive negotiations between the parties. The Parties ask the Commission to approve this Settlement Agreement in its entirety without exception, modification, or additional provisions.

28. The Parties on behalf of themselves and their agents (including but not limited to their attorneys, hired consultants, and any independent contractors) agree that they have entered

into this Settlement Agreement freely and voluntarily and that none of them have been pressured or unduly encouraged to enter into this Settlement Agreement. All Parties agree they have had full and adequate opportunity to consult with their counsel regarding this Settlement Agreement and have fully availed themselves of this opportunity.

29. The Parties agree that signing this Settlement Agreement (a) will not constrain, inhibit, impair, or prejudice their arguments or positions held in future or collateral proceedings; (b) will not constitute a precedent or evidence of acceptable practice in future proceedings; and (c) will not limit the relief, rates, recovery, or rates of return that any Party may seek or advocate for in any future proceeding. If the Commission declines to approve this Settlement Agreement in its entirety and without modification, then any Party may withdraw from the Settlement Agreement without penalty or further obligation.

30. This Settlement Agreement shall be interpreted according to South Carolina law.

31. This Settlement Agreement contains the final and complete agreement of the Parties. There are no other terms or conditions to which the Parties have agreed.

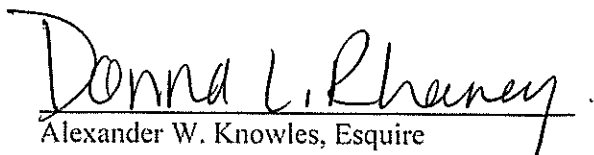
32. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, but prior to a Commission decision on the merits of this proceeding, a Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, that Party may withdraw from the Settlement Agreement with written notice to every other Party.

33. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries,

affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

34. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement, by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the Settlement Agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

Representing the South Carolina Office of Regulatory Staff



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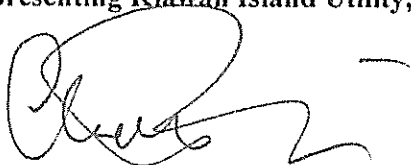
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Representing Kiawah Island Utility, Inc.

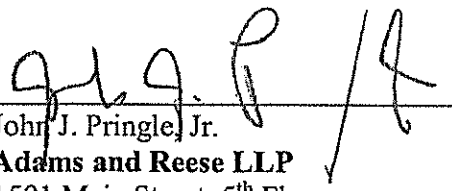


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Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Operating Experience, Rate Base and Rate of Return
For the Test Year Ended December 31, 2020
Combined Operations

<u>Description</u>	(1) Per Application \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Adjustments \$	(4) Settlement Proposed Adjustment \$	(5) After Settlement Proposed Adjustment \$
<u>Operating Revenues:</u>					
Utility Operating Revenues	9,477,169	140,147 (1)	9,617,316	555,000 (21)	10,172,316
<u>Total Operating Revenues</u>	<u>9,477,169</u>	<u>140,147</u>	<u>9,617,316</u>	<u>555,000</u>	<u>10,172,316</u>
<u>Operating Expenses:</u>					
Operating Expenses	6,888,756	(620,388) (2)	6,268,368	0	6,268,368
Depreciation and Amortization Expenses	851,478	203,607 (3)	1,055,085	0	1,055,085
Amortization of Utility Plant Acquisition - Water Rights	43,256	(22,294) (4)	20,962	0	20,962
Amortization Expense - Other	0	73,383 (5)	73,383	0	73,383
Utility Regulatory Assessment Fees	0	68,166 (6)	68,166	3,934 (22)	72,100
Property Taxes	487,467	81,655 (7)	569,122	0	569,122
Payroll Taxes	69,389	7,907 (8)	77,296	0	77,296
Other Taxes and Licenses	162,256	(51,845) (9)	110,411	1,665 (23)	112,076
Federal Income Taxes	(490,598)	662,013 (10)	171,415	109,606 (24)	281,021
State Income Taxes	(102,585)	145,546 (11)	42,961	27,470 (25)	70,431
Deferred Federal Income Taxes	500,510	(500,510) (12)	0	0	0
Deferred State Income Taxes	94,322	(94,322) (13)	0	0	0
<u>Total Operating Expenses</u>	<u>8,504,251</u>	<u>(47,082)</u>	<u>8,457,169</u>	<u>142,675</u>	<u>8,599,844</u>
<u>Net Utility Operating Income (Loss)</u>	<u>972,918</u>	<u>187,229</u>	<u>1,160,147</u>	<u>412,325</u>	<u>1,572,472</u>
<u>Other Operating Income</u>					
Gains (Losses) from Disposition of Utility Property	(44,841)	44,841 (14)	0	0	0
Add: Customer Growth	0	0	0	21,649 (26)	21,649
Add: Amortization of Excess Accumulated Deferred Income Tax	0	0	0	35,168 (27)	35,168
<u>Net Income (Loss) for Return</u>	<u>928,077</u>	<u>232,070</u>	<u>1,160,147</u>	<u>469,142</u>	<u>1,629,289</u>
<u>Original Cost Rate Base: Combined</u>					
Gross Plant in Service	55,097,995	1,839,517 (15)	56,937,512	0	56,937,512
Accumulated Depreciation	(22,922,989)	(1,391,186) (16)	(24,314,175)	0	(24,314,175)
Net Plant in Service	32,175,006	448,331	32,623,337	0	32,623,337
Contributions in Aid of Construction (CIAC)	(17,368,022)	0	(17,368,022)	0	(17,368,022)
Accumulated Amortization of CIAC	8,697,105	385,259 (17)	9,082,364	0	9,082,364
Accumulated Deferred Income Taxes	(992,271)	119,705 (18)	(872,566)	0	(872,566)
Excess Deferred Income Taxes (EDIT)	(672,744)	0	(672,744)	0	(672,744)
Materials and Supplies	416,741	0	416,741	0	416,741
Prepayments	95,590	0	95,590	0	95,590
Cash Working Capital	861,095	(77,549) (19)	783,546	0	783,546
<u>Total Rate Base</u>	<u>23,212,500</u>	<u>875,746</u>	<u>24,088,246</u>	<u>0</u>	<u>24,088,246</u>
<u>Return on Rate Base</u>	<u>4.00%</u>		<u>4.82%</u>		<u>6.76%</u>
<u>Operating Margin</u>	<u>0.31%</u>		<u>6.71%</u>		<u>10.95%</u>
<u>Interest Expense</u>	<u>898,913</u>	<u>(383,613) (20)</u>	<u>515,300</u>	<u>0</u>	<u>515,300</u>

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Operating Experience, Rate Base and Rate of Return
For the Test Year Ended December 31, 2020
Water Operations

<u>Description</u>	(1) <u>Per</u> <u>Application</u> <u>\$</u>	(2) <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> <u>\$</u>	(3) <u>After</u> <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> <u>\$</u>	(4) <u>Settlement</u> <u>Proposed</u> <u>Adjustment</u> <u>\$</u>	(5) <u>After</u> <u>Settlement</u> <u>Proposed</u> <u>Adjustment</u> <u>\$</u>
<u>Operating Revenues:</u>					
Utility Operating Revenues	7,308,931	54,782 (1)	7,363,713	555,000 (21)	7,918,713
<u>Total Operating Revenues</u>	7,308,931	54,782	7,363,713	555,000	7,918,713
<u>Operating Expenses:</u>					
Operating Expenses	5,396,456	(275,347) (2)	5,121,109	0	5,121,109
Depreciation and Amortization Expenses	579,841	161,337 (3)	741,178	0	741,178
Amortization of Utility Plant Acquisition - Water Rights	43,256	(22,294) (4)	20,962	0	20,962
Amortization Expense - Other	0	21,522 (5)	21,522	0	21,522
Utility Regulatory Assessment Fees	0	52,193 (6)	52,193	3,934 (22)	56,127
Property Taxes	287,924	167,796 (7)	455,720	0	455,720
Payroll Taxes	40,985	4,671 (8)	45,656	0	45,656
Other Taxes and Licenses	95,837	(20,537) (9)	75,300	1,665 (23)	76,965
Federal Income Taxes	(4,589,162)	4,671,891 (10)	82,729	109,606 (24)	192,335
State Income Taxes	(959,604)	980,338 (11)	20,734	27,470 (25)	48,204
Deferred Federal Income Taxes	4,681,887	(4,681,887) (12)	0	0	0
Deferred State Income Taxes	882,310	(882,310) (13)	0	0	0
<u>Total Operating Expenses</u>	6,459,730	177,373	6,637,103	142,675	6,779,778
<u>Net Utility Operating Income (Loss)</u>	849,201	(122,591)	726,610	412,325	1,138,935
<u>Other Operating Income</u>					
Gains (Losses) from Disposition of Utility Property	(45,452)	45,452 (14)	0	0	0
Add: Customer Growth	0	0	0	17,305 (26)	17,305
Add: Amortization of Excess Accumulated Deferred Income Tax	0	0	0	27,818 (27)	27,818
<u>Net Income (Loss) for Return</u>	803,749	(77,139)	726,610	457,448	1,184,058
<u>Original Cost Rate Base: Water</u>					
Gross Plant in Service	33,250,642	1,544,011 (15)	34,794,653	0	34,794,653
Accumulated Depreciation	(11,555,949)	(774,322) (16)	(12,330,271)	0	(12,330,271)
Net Plant in Service	21,694,693	769,689	22,464,382	0	22,464,382
Contributions in Aid of Construction (CIAC)	(5,860,751)	0	(5,860,751)	0	(5,860,751)
Accumulated Amortization of CIAC	2,757,281	130,008 (17)	2,887,289	0	2,887,289
Accumulated Deferred Income Taxes	(784,865)	94,684 (18)	(690,181)	0	(690,181)
Excess Deferred Income Taxes (EDIT)	(532,126)	0	(532,126)	0	(532,126)
Materials and Supplies	416,741	0	416,741	0	416,741
Prepayments	92,362	0	92,362	0	92,362
Cash Working Capital	674,557	(34,418) (19)	640,139	0	640,139
<u>Total Rate Base</u>	18,457,892	959,963	19,417,855	0	19,417,855
<u>Return on Rate Base</u>	4.35%		3.74%		6.10%
<u>Operating Margin</u>	3.73%		4.23%		9.71%
<u>Interest Expense</u>	530,947	(115,557) (20)	415,390	0	415,390

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Operating Experience, Rate Base and Rate of Return
For the Test Year Ended December 31, 2020
Sewer Operations

<u>Description</u>	(1) <u>Per</u> <u>Application</u> <u>\$</u>	(2) <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> <u>\$</u>	(3) <u>After</u> <u>Accounting &</u> <u>Pro Forma</u> <u>Adjustments</u> <u>\$</u>	(4) <u>Settlement</u> <u>Proposed</u> <u>Adjustment</u> <u>\$</u>	(5) <u>After</u> <u>Settlement</u> <u>Proposed</u> <u>Adjustment</u> <u>\$</u>
<u>Operating Revenues:</u>					
Utility Operating Revenues	2,168,238	85,365 (1)	2,253,603	0 (21)	2,253,603
<u>Total Operating Revenues</u>	2,168,238	85,365	2,253,603	0	2,253,603
<u>Operating Expenses:</u>					
Operating Expenses	1,492,300	(345,041) (2)	1,147,259	0	1,147,259
Depreciation and Amortization Expenses	271,637	42,270 (3)	313,907	0	313,907
Amortization of Utility Plant Acquisition Adjustments	0	0 (4)	0	0	0
Amortization Expense - Other	0	51,861 (5)	51,861	0	51,861
Utility Regulatory Assessment Fees	0	15,973 (6)	15,973	0 (22)	15,973
Property Taxes	199,543	(86,141) (7)	113,402	0	113,402
Payroll Taxes	28,404	3,236 (8)	31,640	0	31,640
Other Taxes and Licenses	66,419	(31,308) (9)	35,111	0 (23)	35,111
Federal Income Taxes	4,098,564	(4,009,878) (10)	88,686	0 (24)	88,686
State Income Taxes	857,019	(834,792) (11)	22,227	0 (25)	22,227
Deferred Federal Income Taxes	(4,181,377)	4,181,377 (12)	0	0	0
Deferred State Income Taxes	(787,988)	787,988 (13)	0	0	0
<u>Total Operating Expenses</u>	2,044,521	(224,455)	1,820,066	0	1,820,066
<u>Net Utility Operating Income (Loss)</u>	123,717	309,820	433,537	0	433,537
<u>Other Operating Income</u>					
Gains (Losses) from Disposition of Utility Property	611	(611) (14)	0	0	0
Add: Customer Growth	0	0	0	4,344 (26)	4,344
Add: Amortization of Excess Accumulated Deferred Income Tax	0	0	0	7,350 (27)	7,350
<u>Net Income (Loss) for Return</u>	124,328	309,209	433,537	11,694	445,231
<u>Original Cost Rate Base: Sewer</u>					
Gross Plant in Service	21,847,353	295,506 (15)	22,142,859	0	22,142,859
Accumulated Depreciation	(11,367,040)	(616,864) (16)	(11,983,904)	0	(11,983,904)
Net Plant in Service	10,480,313	(321,358)	10,158,955	0	10,158,955
Contributions in Aid of Construction (CIAC)	(11,507,271)	0	(11,507,271)	0	(11,507,271)
Accumulated Amortization of CIAC	5,939,824	255,251 (17)	6,195,075	0	6,195,075
Accumulated Deferred Income Taxes	(207,406)	25,021 (18)	(182,385)	0	(182,385)
Excess Deferred Income Taxes (EDIT)	(140,618)	0	(140,618)	0	(140,618)
Materials and Supplies	0	0	0	0	0
Prepayments	3,228	0	3,228	0	3,228
Cash Working Capital	186,538	(43,131) (19)	143,407	0	143,407
<u>Total Rate Base</u>	4,754,608	(84,217)	4,670,391	0	4,670,391
<u>Return on Rate Base</u>	2.61%		9.28%		9.53%
<u>Operating Margin</u>	-11.24%		14.80%		15.32%
<u>Interest Expense</u>	367,966	(268,056) (20)	99,910	0	99,910

Kiawah Island Utility, Inc.
Docket No. 2021-324-WSS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. # Adj. #			\$	\$	\$
Description			Combined Operations	Water Operations	Sewer Operations
<u>Accounting and Pro forma Adjustments</u>					
(1)	<u>Utility Operating Revenues</u>				
(1)	(A) To adjust revenue based the number of customers as of September 2021 at current tariffed rates.				
	Per Settlement		259,647	130,532	129,115
	Per KIU		259,647	130,532	129,115
(2)	(B) To remove tap-in revenue.				
	Per Settlement		(119,500)	(75,750)	(43,750)
	Per KIU		(119,500)	(75,750)	(43,750)
	(C) To normalize fire hydrant rental revenues.				
	Per Settlement		0	0	0
	Per KIU		0	0	0
(1)	<u>Total Utility Operating Revenues Adjustment</u>				
	Total Per Settlement		140,147	54,782	85,365
	Per KIU		140,147	54,782	85,365
(2)	<u>Operating Expenses</u>				
(3)	(A) To annualize payroll related expenses to reflect known and measurable increases in effect for 2022 based on payroll information. Allocated between water and sewer - 59.07% and 40.93%.				
	Per Settlement		121,384	71,702	49,682
	Per KIU		94,492	55,816	38,676
(4)	(B) To increase purchased water costs to reflect increased costs charged by St. John's Water Company.				
	Per Settlement		238,229	238,229	0
	Per KIU		238,229	238,229	0

Attachment A

Kiawah Island Utility, Inc.
Docket No. 2021-324-WSS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. # Adj. #			\$	\$	\$
		Description	Combined Operations	Water Operations	Sewer Operations
(5)	(C)	To increase purchased power for Santee Cooper settlement.			
		Per Settlement	27,682	16,352	11,330
		Per KIU	27,682	16,352	11,330
(6)	(D)	To remove tap-in expenses.			
		Per Settlement	(119,500)	(75,750)	(43,750)
		Per KIU	(119,500)	(75,750)	(43,750)
(7)	(E)	To adjust accounting costs for known audit costs. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	339	200	139
		Per KIU	339	200	139
(8)	(F)	To remove nonrecurring legal fees. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	(313,423)	(185,139)	(128,284)
		Per KIU	(313,423)	(185,139)	(128,284)
(9)	(G)	To adjust for SWWC management fees to reflect the 3-factor overhead allocation. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	(517,522)	(305,700)	(211,822)
		Per KIU	(436,606)	(257,903)	(178,703)
(10)	(H)	To amortize rate case expenses over two years. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	(47,517)	(28,068)	(19,449)
		Per KIU	(47,517)	(28,062)	(19,455)
(11)	(I)	To remove nonallowable expenses.			
		Per Settlement	(10,060)	(7,173)	(2,887)
		Per KIU	(3,006)	(3,006)	0
(2)	Total Operating Expenses Adjustment				
		Total Per Settlement	(620,388)	(275,347)	(345,041)
		Total Per KIU	(559,310)	(239,263)	(320,047)

Kiawah Island Utility, Inc.
Docket No. 2021-324-WSS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. # Adj. #			\$	\$	\$
		Description	Combined Operations	Water Operations	Sewer Operations
(12)	(3)	<u>Depreciation & Amortization Expenses</u>			
	(A)	To adjust depreciation and amortization for 2021 calculated depreciation, pro forma assets placed in service in 2021, and allocated corporate overhead depreciation.			
		Per Settlement	143,607	101,337	42,270
		Per KIU	236,788	158,130	78,658
	(B)	To adjust amortization expense for secondary water line incremental pipeline costs regulatory asset of \$1,800,000 over 30 years.			
		Per Settlement	60,000	60,000	0
		Per KIU	0	0	0
(3)		<u>Total Depreciation & Amortization Expense Adjustment</u>			
		Total Per Settlement	203,607	161,337	42,270
		Total Per KIU	236,788	158,130	78,658
(13)	(4)	<u>Amortization of Utility Plant Acquisition - Water Rights</u>			
		To adjust for fully amortized impact agreement.			
		Per Settlement	(22,294)	(22,294)	0
		Per KIU	(22,294)	(22,294)	0
(14)	(5)	<u>Amortization Expense - Other</u>			
		To amortize known and measurable maintenance costs incurred for sludge removal, tank painting, and Covid-19 personal protective equipment.			
		Per Settlement	73,383	21,522	51,861
		Per KIU	73,383	21,522	51,861
(6)		<u>Utility Regulatory Assessment Fees</u>			
(15)	(A)	To reclass test year gross receipts tax recorded in other taxes and licenses. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	54,372	32,118	22,254
		Per KIU	51,748	30,568	21,180

Attachment A

Kiawah Island Utility, Inc.
Docket No. 2021-324-WSS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. # Adj. #			\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
		Description			
(16)	(B)	To adjust gross receipts tax after the accounting and pro forma adjustments using a factor of .708793%.			
		Per Settlement	13,794	20,075	(6,281)
		Per KIU	(8)	(5)	(3)
(6)		<u>Total Utility Regulatory Assessment Fees Adjustment</u>			
		Total Per Settlement	68,166	52,193	15,973
		Total Per KIU	51,740	30,563	21,177
(17)	(7)	<u>Property Taxes</u>			
		To adjust property taxes for expected increase.			
		Per Settlement	81,655	167,796	(86,141)
		Per KIU	146,926	86,789	60,137
(18)	(8)	<u>Payroll Taxes</u>			
		To increase payroll tax for payroll increase. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	7,907	4,671	3,236
		Per KIU	5,559	3,284	2,275
(9)		<u>Other Taxes and Licenses</u>			
(19)	(A)	To remove gross receipts tax recorded in other taxes and licenses. Allocated between water and sewer - 59.07% and 40.93%.			
		Per Settlement	(54,372)	(32,118)	(22,254)
		Per KIU	(51,748)	(30,568)	(21,180)
(20)	(B)	To adjust corporate license fee for proforma fair market value (.001) and revenue changes (.003).			
		Per Settlement	2,527	11,581	(9,054)
		Per KIU	4,649	2,746	1,903
(9)		<u>Total Other Taxes and Licenses Adjustment</u>			
		Total Per Settlement	(51,845)	(20,537)	(31,308)
		Total Per KIU	(47,099)	(27,822)	(19,277)

Kiawah Island Utility, Inc.
Docket No. 2021-324-WSS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. # Adj. #		Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
(21)	(10)	<u>Federal Income Taxes</u>			
		To adjust federal income taxes on pro forma income at 21%.			
		Per Settlement	662,013	4,671,891	(4,009,878)
		Per KIU	621,309	4,702,794	(4,081,485)
(21)	(11)	<u>State Income Taxes</u>			
		To adjust state income taxes on pro forma income at 5%.			
		Per Settlement	145,546	980,338	(834,792)
		Per KIU	135,344	988,083	(852,739)
(22)	(12)	<u>Deferred Federal Income Taxes</u>			
		To remove deferred federal income tax expense.			
		Per Settlement	(500,510)	(4,681,887)	4,181,377
		Per KIU	(500,510)	(4,681,887)	4,181,377
(22)	(13)	<u>Deferred State Income Taxes</u>			
		To remove deferred state income tax expense.			
		Per Settlement	(94,322)	(882,310)	787,988
		Per KIU	(94,322)	(882,310)	787,988
(23)	(14)	<u>Other Operating Income</u>			
		To reverse gains / losses on disposition of property.			
		Per Settlement	44,841	45,452	(611)
		Total Per KIU	44,841	45,452	(611)
(15)		<u>Gross Plant In Service</u>			
		To adjust gross plant in service as of 12/31/21.			
		Per Settlement	1,839,517	1,544,011	295,506
		Per KIU	4,200,881	3,828,264	372,617

Kiawah Island Utility, Inc.
Docket No. 2021-324-WSS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. #Adj. #		\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Description				
(16)	<u>Accumulated Depreciation</u>			
To adjust accumulated depreciation as of 12/31/21.				
	Per Settlement	(1,391,186)	(774,322)	(616,864)
	Per KIU	(1,023,987)	(660,696)	(363,291)
(17)	<u>Accumulated Amortization of CIAC</u>			
To adjust accumulated amortization of contributions in aid of construction as of 12/31/21.				
	Per Settlement	385,259	130,008	255,251
	Per KIU	385,259	130,008	255,251
(18)	<u>Accumulated Deferred Income Taxes</u>			
To adjust accumulated deferred income taxes.				
	Per Settlement	119,705	94,684	25,021
	Per KIU	119,705	94,684	25,021
(19)	<u>Cash Working Capital</u>			
To adjust cash working capital after accounting and pro forma adjustments.				
	Per Settlement	(77,549)	(34,418)	(43,131)
	Per KIU	(69,914)	(29,908)	(40,006)
(24) (20)	<u>Interest Expense</u>			
To synchronize interest expense with the portion of rate base financed by debt.				
	Per Settlement	(383,613)	(115,557)	(268,056)
	Per KIU	(325,084)	(192,027)	(133,057)

Kiawah Island Utility, Inc.
Docket No. 2021-324-WSS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. # Adj. #			\$	\$	\$
		Description	Combined Operations	Water Operations	Sewer Operations
<u>Settlement Proposed Adjustment</u>					
(25)	(21)	<u>Utility Operating Revenues</u>			
		To adjust revenues to reflect the settlement rates.			
		Per Settlement	555,000	555,000	0
		Per KIU	1,355,996	1,101,606	254,390
(26)	(22)	<u>Utility Regulatory Assessment Fees</u>			
		To increase gross receipts after settlement adjustment using a factor of .708793%.			
		Per Settlement	3,934	3,934	0
		Per KIU	9,611	7,808	1,803
(27)	(23)	<u>Other Taxes and Licenses</u>			
		To increase the corporate license fee after settlement adjustment.			
		Per Settlement	1,665	1,665	0
		Per KIU	4,068	3,305	763
(28)	(24)	<u>Federal Income Taxes</u>			
		To adjust federal income taxes after settlement adjustment using a 21% tax rate.			
		Per Settlement	109,606	109,606	0
		Per KIU	267,792	217,553	50,239
(28)	(25)	<u>State Income Taxes</u>			
		To adjust state income taxes after settlement adjustment using a 5% tax rate.			
		Per Settlement	27,470	27,470	0
		Per KIU	67,116	54,525	12,591

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2020

KIU Settlement Adj. # Adj. #			\$	\$	\$
		Description	Combined Operations	Water Operations	Sewer Operations
(29)	(26)	<u>Customer Growth</u>			
		To adjust for customer growth based on the total operating income after settlement adjustment. The customer growth factors are 1.5194% for water and 1.0019% for sewer.			
		Per Settlement	21,649	17,305	4,344
		Per KIU	28,971	24,080	4,891
(30)	(27)	<u>Amortization of Excess Accumulated Deferred Income Tax</u>			
		To adjust for the annual amortization of excess accumulated deferred income taxes due to the Tax Cuts and Jobs Act.			
		Per Settlement	35,168	27,818	7,350
		Per KIU	35,168	27,817	7,351

Kiawah Island Utility, Inc.
Docket No. 2021-324-WS
Computation of Depreciation & Amortization Expense
For the Test Year Ended December 31, 2020

	Combined Operations \$	Asset Class	Water Operations \$	Asset Class	Sewer Operations \$
<u>Plant in Service</u>					
Land and Land Rights	5,268,252	303.2	3,468,252	353.6	1,800,000
Structures & Improvements	16,113,909	304.2	12,717,812	354.4	3,396,097
Wells	171,381	307.2	171,381	N/A	0
Water Treatment	49,679	N/A	0	355.4	49,679
Collections Sewers - Gravity	13,649,037	N/A	0	360.2	13,649,037
Collections Sewers - Force	2,141,766	N/A	0	361.2	2,141,766
Pumping Equipment	1,449,612	311.2	1,117,843	371.3	331,769
Aquifer Storage & Recovery (ASR) Equipment	1,340,815	330.4	1,340,815	N/A	0
Mains	10,459,792	331.4	10,459,792	N/A	0
Meter & Meter Installation	1,718,873	334.4	1,718,873	N/A	0
Fire Hydrants	284,840	335.4	284,840	N/A	0
Other Plant & Miscellaneous Equipment	1,042,889	339.4	917,292	389.4	125,597
Office Furniture & Equipment	297,538	340.5	130,305	390.7	167,233
Transportation Equipment	595,602	341.5	294,151	391.7	301,451
Tools, Shop, and Garage	20,994	343.5	10,497	393.7	10,497
Equipment - Meter	1,050	N/A	0	394.7	1,050
Communication Equipment	2,278	346.5	1,139	396.7	1,139
Miscellaneous Equipment	9,596	347.5	4,798	397.7	4,798
Impact Fees (Water Rights)	1,921,989	302.1	1,921,989	N/A	0
Gross Plant in Service - KIU	56,539,892		34,559,779		21,980,113
SWWC - Plant In Service Allocation	397,620	N/A	234,874	N/A	162,746
Total Gross Plant in Service	56,937,512		34,794,653		22,142,859
Contributions in Aid of Construction (CIAC)	(17,368,022)	331.4.C	(5,860,751)	360.2.C	(11,507,271)
<u>Depreciation Expense</u>					
Land and Land Rights	0	303.2	0	353.6	0
Structures & Improvements	357,293	304.2	268,399	354.4	88,894
Wells	9,272	307.2	9,272	N/A	0
Water Treatment	1,771	N/A	0	355.4	1,771
Collections Sewers - Gravity	307,981	N/A	0	360.2	307,981
Collections Sewers - Force	52,729	N/A	0	361.2	52,729
Pumping Equipment	73,526	311.2	46,172	371.3	27,354
Aquifer Storage & Recovery (ASR) Equipment	31,795	330.4	31,795	N/A	0
Mains	242,568	331.4	242,568	N/A	0
Meter & Meter Installation	58,953	334.4	58,953	N/A	0
Fire Hydrants	7,301	335.4	7,301	N/A	0
Other Plant & Miscellaneous Equipment	62,724	339.4	55,196	389.4	7,528
Office Furniture & Equipment	17,508	340.5	4,758	390.7	12,750
Transportation Equipment	61,118	341.5	30,559	391.7	30,559
Tools, Shop, and Garage	1,400	343.5	700	393.7	700
Equipment - Meter	210	N/A	0	394.7	210
Communication Equipment	456	346.5	228	396.7	228
Miscellaneous Equipment	960	347.5	480	397.7	480
Total Depreciation Expense - KIU	1,287,565		756,381		531,184
SWWC - Depreciation Expense Allocation	92,779		54,805		37,974
Total Depreciation Expense	1,380,344		811,186		569,158
CIAC Amortization Expense	(385,259)	331.4.C	(130,008)	360.2.C	(255,251)
Depreciation & Amortization Expense	995,085		681,178		313,907
Depreciation & Amortization Expense - Per Books	851,478		579,841		271,637
Depreciation & Amortization Expense Adjustment #3A	143,607		101,337		42,270

Attachment A

Kiwah Island Utility, Inc.
Docket No. 2021-324-WS
Computation of Depreciation & Amortization Expense
For the Test Year Ended December 31, 2020

	Combined Operations \$	Asset Class	Water Operations \$	Asset Class	Sewer Operations \$
<u>Accumulated Depreciation</u>					
Land and Land Rights	0	303.2	0	353.6	0
Structures & Improvements	(5,496,994)	304.2	(3,262,294)	354.4	(2,234,700)
Wells	(36,553)	307.2	(36,553)	N/A	-
Water Treatment	(43,038)	N/A	0	355.4	(43,038)
Collections Sewers - Gravity	(7,653,315)	N/A	0	360.2	(7,653,315)
Collections Sewers - Force	(1,458,240)	N/A	0	361.2	(1,458,240)
Pumping Equipment	(903,918)	311.2	(789,899)	371.3	(114,019)
Aquifer Storage & Recovery (ASR) Equipment	(520,250)	330.4	(520,250)	N/A	0
Mains	(4,686,985)	331.4	(4,686,985)	N/A	0
Meter & Meter Installation	(62,573)	334.4	(62,573)	N/A	0
Fire Hydrants	(194,139)	335.4	(194,139)	N/A	0
Other Plant & Miscellaneous Equipment	(691,661)	339.4	(631,251)	389.4	(60,410)
Office Furniture & Equipment	(253,600)	340.5	(118,326)	390.7	(135,274)
Transportation Equipment	(381,059)	341.5	(186,880)	391.7	(194,179)
Tools, Shop, and Garage	(2,256)	343.5	(1,128)	393.7	(1,128)
Equipment - Meter	(210)	N/A	-	394.7	(210)
Communication Equipment	(798)	346.5	(399)	396.7	(399)
Miscellaneous Equipment	(1,304)	347.5	(652)	397.7	(652)
Impact Fees (Water Rights)	(1,711,451)	302.1	(1,711,451)	N/A	0
Total Accumulated Depreciation - KIU	(24,098,344)		(12,202,780)		(11,895,564)
SWWC - Accumulated Depreciation Allocation	(215,831)	N/A	(127,491)	N/A	(88,340)
Accumulated Depreciation	(24,314,175)		(12,330,271)		(11,983,904)
Accumulated Amortization of CIAC	9,082,364	331.4.C	2,887,289	360.2.C	6,195,075

Attachment A

Kiawah Island Utility, Inc.
Docket No. 2021-324-WSS
Computation of Income Taxes
For the Test Year Ended December 31, 2020

After Accounting & Pro Forma Adjustments			
	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Operating Revenues	9,617,316	7,363,713	2,253,603
Operating Expenses	8,242,793	6,533,640	1,709,153
Net Operating Income Before Taxes	1,374,523	830,073	544,450
Less: Annualized Interest Expense	515,300	415,390	99,910
Taxable Income - State	859,223	414,683	444,540
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	42,961	20,734	22,227
Less: State Income Taxes Per Books	(102,585)	(959,604)	857,019
State Income Tax Adjustment - Accounting and Pro Forma Adjustment #11	145,546	980,338	(834,792)
Taxable Income - Federal (Taxable Income - State less State Income Taxes)	816,262	393,949	422,313
Federal Income Taxes %	21.0%	21.0%	21.0%
Federal Income Taxes	171,415	82,729	88,686
Less: Federal Income Taxes Per Books	(490,598)	(4,589,162)	4,098,564
Federal Income Tax Adjustment - Accounting and Pro Forma Adjustment #10	662,013	4,671,891	(4,009,878)
After Settlement Proposed Adjustment			
	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Operating Revenues	10,172,316	7,918,713	2,253,603
Operating Expenses	8,248,392	6,539,239	1,709,153
Net Operating Income Before Taxes	1,923,924	1,379,474	544,450
Less: Annualized Interest Expense	515,300	415,390	99,910
Taxable Income - State	1,408,624	964,084	444,540
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	70,431	48,204	22,227
Less: State Income Taxes After Accounting & Pro Forma Adjustments	42,961	20,734	22,227
State Income Tax Adjustment - After Proposed Adjustment #25	27,470	27,470	0
Taxable Income - Federal (Taxable Income - State less State Income Taxes)	1,338,193	915,880	422,313
Federal Income Taxes %	21.0%	21.0%	21.0%
Federal Income Taxes	281,021	192,335	88,686
Less: Federal Income Taxes After Accounting & Pro Forma Adjustments	171,415	82,729	88,686
Federal Income Tax Adjustment - After Proposed Adjustment #24	109,606	109,606	0

Attachment A

Kiawah Island Utility, Inc.
Cash Working Capital Allowance
For the Test Year Ended December 31, 2020

After Accounting & Pro Forma Adjustments

	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
Operating Expenses	6,268,368	5,121,109	1,147,259
Less: Bad Debt Expense	0	0	0
Less: Purchased Water	<u>0</u>	<u>0</u>	<u>0</u>
Net Operating Expenses	6,268,368	5,121,109	1,147,259
Allowable Rate	<u>12.50%</u>	<u>12.50%</u>	<u>12.50%</u>
Computed Cash Working Capital	783,546	640,139	143,407
Less: Cash Working Capital - Application Per Books	<u>861,095</u>	<u>674,557</u>	<u>186,538</u>
Cash Working Capital Adjustment #19	<u>(77,549)</u>	<u>(34,418)</u>	<u>(43,131)</u>

Kiawah Island Utility, Inc.
Docket No. 2021-324-WIS
Weighted Cost of Capital
For the Test Year Ended December 31, 2020

Combined Operations

Description	Capital Structure	Ratio	Per Application			After Accounting and Pro forma Adjustments				After Settlement Proposed Adjustment			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return
Long-Term Debt	\$ 19,669,858	46.81%	\$ 10,865,771	4.57%	2.14%	\$ 496,566	\$ 11,275,708	4.57%	2.14%	\$ 515,300	\$ 11,275,708	4.57%	2.14%
Members' Equity	22,351,064	53.19%	12,346,729	3.49%	1.86%	431,511	12,812,538	5.03%	2.68%	644,847	12,812,538	8.69%	4.62%
Totals	\$ 42,020,922	100.00%	\$ 23,212,500		4.00%	\$ 928,077	\$ 24,088,246		4.82%	\$ 1,160,147	\$ 24,088,246		6.76%

Water Operations

Description	Capital Structure	Ratio	Per Application			After Accounting and Pro forma Adjustments				After Settlement Proposed Adjustment			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return
Long-Term Debt	\$ 19,669,858	46.81%	\$ 8,640,139	4.57%	2.14%	\$ 394,854	\$ 9,089,498	4.57%	2.14%	\$ 415,390	\$ 9,089,498	4.57%	2.14%
Members' Equity	22,351,064	53.19%	9,817,753	4.16%	2.21%	408,895	10,328,357	3.01%	1.59%	311,220	10,328,357	7.44%	3.96%
Totals	\$ 42,020,922	100.00%	\$ 18,457,892		4.35%	\$ 803,749	\$ 19,417,855		3.73%	\$ 726,610	\$ 19,417,855		6.10%

Sewer Operations

Description	Capital Structure	Ratio	Per Application			After Accounting and Pro forma Adjustments				After Settlement Proposed Adjustment			
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return
Long-Term Debt	\$ 19,669,858	46.81%	\$ 2,225,632	4.57%	2.14%	\$ 101,711	\$ 2,186,210	4.57%	2.14%	\$ 99,910	\$ 2,186,210	4.57%	2.14%
Members' Equity	22,351,064	53.19%	2,528,976	0.89%	0.47%	22,617	2,484,181	13.43%	7.14%	333,627	2,484,181	13.90%	7.39%
Totals	\$ 42,020,922	100.00%	\$ 4,754,608		2.61%	\$ 124,328	\$ 4,670,391		9.28%	\$ 433,537	\$ 4,670,391		9.53%

Attachment B
KIAWAH ISLAND UTILITY, INC.
Settlement - Water Rate Design

Description	Billing Determinants	Current Rate	Current Revenues	Settlement Proposed Rates	Settlement Proposed Revenues	Increase	Percent Increase
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Residential							
5/8" Meter	34,836	\$36.65	\$1,276,739	\$36.65	\$1,276,739	\$0	0.00%
3/4 Meter	5,784	\$54.98	\$318,004	\$54.98	\$318,004	\$0	0.00%
1" Meter	4,140	\$91.62	\$379,307	\$91.62	\$379,307	\$0	0.00%
1 1/2" Meter	180	\$183.25	\$32,985	\$183.25	\$32,985	\$0	0.00%
2" Meter	84	\$293.21	\$24,630	\$293.21	\$24,630	\$0	0.00%
3" Meter	-	\$641.40	\$0	\$641.40	\$0	\$0	--
4" Meter	-	\$1,840.73	\$0	\$1,840.73	\$0	\$0	--
Total Fixed Charges			\$2,031,665		\$2,031,665	\$0	0.00%
Consumption to 11,000 gals/mo.	370,176	\$4.83	\$1,787,950	\$5.36	\$1,984,143	\$196,193	10.97%
Consumption 11,000-50,000 gals/mo.	118,657	\$5.37	\$637,188	\$5.96	\$707,196	\$70,008	10.99%
Consumption over 50,000 gals/mo.	10,780	\$5.71	\$61,554	\$6.33	\$68,237	\$6,684	10.86%
Total Consumption	499,613		\$2,486,692		\$2,759,576	\$272,885	10.97%
Total Residential			\$4,518,357		\$4,791,242	\$272,885	6.04%
<u>Target Revenues</u>					\$4,789,324	\$270,967	
Difference					\$1,918	\$1,918	
Commercial							
5/8" Meter	528	\$36.65	\$19,351	\$36.65	\$19,351	-	0.00%
3/4 Meter	180	\$54.98	\$9,896	\$54.98	\$9,896	-	0.00%
1" Meter	168	\$91.62	\$15,392	\$91.62	\$15,392	-	0.00%
1 1/2" Meter	204	\$183.25	\$37,383	\$183.25	\$37,383	-	0.00%
2" Meter	192	\$293.21	\$56,296	\$293.21	\$56,296	-	0.00%
3" Meter	48	\$641.40	\$30,787	\$641.40	\$30,787	-	0.00%
4" Meter	24	\$1,840.73	\$44,178	\$1,840.73	\$44,178	-	0.00%
Total Fixed Charges			\$213,284		\$213,284	-	0.00%
Consumption	55,119	\$5.71	\$314,729	\$5.71	\$314,729	-	0.00%
Total Commercial			\$528,013		\$528,013	-	0.00%
<u>Target Revenues</u>					\$528,013	\$0	
Difference					\$0	\$0	
Hotels							
Per Room	3,060	\$14.72	\$45,043	\$14.72	\$45,043	\$0	0.00%
Consumption	8,817	\$5.71	\$50,345	\$5.71	\$50,345	\$0	0.00%
Total Hotels			\$95,388		\$95,388	\$0	0.00%
<u>Target Revenues</u>					\$95,388	\$0	
Difference					\$0	\$0	
Irrigation							
5/8" Meter	2,328	\$36.65	\$85,321	\$36.65	\$85,321	\$0	0.00%
3/4 Meter	1,044	\$54.98	\$57,399	\$54.98	\$57,399	\$0	0.00%
1" Meter	1,380	\$91.62	\$126,436	\$91.62	\$126,436	\$0	0.00%
1 1/2" Meter	312	\$183.25	\$57,174	\$183.25	\$57,174	\$0	0.00%
2" Meter	300	\$293.21	\$87,963	\$293.21	\$87,963	\$0	0.00%
3" Meter	48	\$641.40	\$30,787	\$641.40	\$30,787	\$0	0.00%
4" Meter	-	\$1,840.73	\$0	\$1,840.73	\$0	\$0	--
Total Fixed Charges			\$445,080		\$445,080	\$0	0.00%
Consumption to 50,000 gals/mo	157,541	\$5.37	\$845,995	\$6.30	\$992,508	\$146,513	17.32%
Consumption over 50,000 gals/mo	105,366	\$5.71	\$601,640	\$6.70	\$705,952	\$104,312	17.34%
Total Consumption			\$1,447,635		\$1,698,461	\$250,825	17.33%
Total Irrigation Customers			\$1,892,715		\$2,143,541	\$250,825	
<u>Target Revenues</u>					\$2,144,620	\$251,905	
Difference					(\$1,080)	(\$1,080)	

Attachment B
KIAWAH ISLAND UTILITY, INC.
Settlement - Water Rate Design

Description	Billing Determinants	Current Rate	Current Revenues	Settlement Proposed Rates	Settlement Proposed Revenues	Increase	Percent Increase
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Golf - Potable							
Potable Water	48	\$871.45	\$41,830	\$871.45	\$41,830	\$0	0.00%
Consumption - Potable	25,489	\$5.71	\$145,542	\$6.55	\$166,953	\$21,411	14.71%
Total Golf - Potable			\$187,372		\$208,783	\$21,411	11.43%
<u>Target Revenues</u>					<u>\$208,747</u>	<u>\$21,375</u>	
Difference					\$36	\$36	
Golf - Well Water							
Deep Well Water	36	\$1,138.80	\$40,997	\$1,138.80	\$40,997	\$0	0.00%
Consumption - Well	79,415	\$0.30	\$23,825	\$0.42	\$33,354	\$9,530	40.00%
Total Golf - Well Water			\$64,821		\$74,351	\$9,530	14.70%
<u>Target Revenues</u>					<u>\$74,681</u>	<u>\$9,860</u>	
Difference					(\$330)	(\$330)	
Private Fire							
2" Line	252	8.65	\$2,180	\$9.17	\$2,311	\$131	6.01%
3" Line	84	15.83	\$1,330	\$16.78	\$1,410	\$80	6.00%
4" Line	180	27.43	\$4,937	\$29.08	\$5,234	\$297	6.02%
6" Line	24	54.87	\$1,317	\$58.16	\$1,396	\$79	6.00%
8" Line	12	96.11	\$1,153	\$101.88	\$1,223	\$69	6.00%
Total Fire Line			\$10,917		\$11,573	\$656	6.01%
<u>Target Revenues</u>					<u>\$11,572</u>	<u>\$655</u>	
Difference					\$1	\$1	
Total Water Sales							
TOTAL Water Sales			\$7,297,584		\$7,852,891	\$555,307	
<u>Target Revenues</u>					<u>\$7,852,346</u>	<u>\$554,762</u>	
Difference					\$545	\$545	
Fire Hydrant Service			\$39,551		\$39,551	\$0	
Late Payment & Return Check Charges			\$3,131		\$3,369	\$238	
Other Revenue			\$23,447		\$23,447	\$0	
TOTAL REVENUE			\$7,363,713		\$7,919,258	\$555,545	
<u>TOTAL REVENUE TARGET</u>					<u>\$7,918,713</u>	<u>\$555,000</u>	
DIFFERENCE					\$545	\$545	

ATTACHMENT B
KIAWAH ISLAND UTILITY, INC.
Settlement - Sewer Rate Design

Description	Billing Determinants	Current Rate	Current Revenues	Settlement Proposed Rates	Settlement Proposed Revenues	Increase	Percent Increase
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Residential							
5/8" Meter	34,620	\$28.00	\$969,360	\$28.00	\$969,360	\$0	0.00%
3/4 Meter	5,196	\$42.00	\$218,232	\$42.00	\$218,232	\$0	0.00%
1" Meter	3,876	\$69.99	\$271,281	\$69.99	\$271,281	\$0	0.00%
1 1/2" Meter	120	\$139.98	\$16,798	\$139.98	\$16,798	\$0	0.00%
2" Meter	84	\$223.98	\$18,814	\$223.98	\$18,814	\$0	0.00%
3" Meter	-	\$489.95	\$0	\$489.95	\$0	\$0	0.00%
4" Meter	-	\$1,514.79	\$0	\$1,514.79	\$0	\$0	0.00%
Consumption to 11,000 gals/mo.	351,605	\$0.74	\$260,188	\$0.74	\$260,188	\$0	0.00%
Consumption 11,000-50,000 gals/mo.	-		\$0	\$0.00	\$0	\$0	0.00%
Consumption over 50,000 gals/mo	-		\$0	\$0.00	\$0	\$0	0.00%
Total Residential Customers			\$1,754,673		\$1,754,673	\$0	0.00%
Target Revenues					\$1,754,673		
Difference					\$0		
Commercial							
5/8" Meter	276	\$28.00	\$7,728	\$28.00	\$7,728	\$0	0.00%
3/4 Meter	120	\$42.00	\$5,040	\$42.00	\$5,040	\$0	0.00%
1" Meter	84	\$69.99	\$5,879	\$69.99	\$5,879	\$0	0.00%
1 1/2" Meter	156	\$139.98	\$21,837	\$139.98	\$21,837	\$0	0.00%
2" Meter	180	\$223.98	\$40,316	\$223.98	\$40,316	\$0	0.00%
3" Meter	48	\$489.95	\$23,518	\$489.95	\$23,518	\$0	0.00%
4" Meter	24	\$1,514.79	\$36,355	\$1,514.79	\$36,355	\$0	0.00%
Consumption	28,043	\$2.86	\$80,203	\$2.86	\$80,203	\$0	0.00%
Total Commercial Customers			\$220,876		\$220,876	\$0	0.00%
Target Revenues					\$220,876		
Difference					\$0		
Hotels							
per Room	3,060	\$11.19	\$34,241	\$11.19	\$34,241	\$0	0.00%
Consumption	8,817	\$2.86	\$25,217	\$2.86	\$25,217	\$0	0.00%
Total Hotels			\$59,458		\$59,458	\$0	0.00%
Target Revenues					\$59,458		
Difference					\$0		
Effluent							
Effluent Water	36	\$4,648.72	\$167,354	\$4,648.72	\$167,354	\$0	0.00%
Consumption	211,679	\$0.20	\$42,336	\$0.20	\$42,336	\$0	0.00%
Total Golf - Potable			\$209,690		\$209,690	\$0	0.00%
Target Revenues					\$209,690		
Difference					\$0		
Total Rate Revenues							
TOTAL RATE REVENUES			\$2,244,697		\$2,244,697	\$0	0.00%
TOTAL REVENUE TARGET					\$2,244,697		
DIFFERENCE					\$0		
Other Revenue			\$8,906		\$8,906		
TOTAL REVENUE			\$2,253,603		\$2,253,603	\$0	
TOTAL TARGET REVENUE					\$2,253,603		
DIFFERENCE					\$0		